

Message Text

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ORIGIN EB-07

INFO OCT-01 ARA-06 EUR-12 EA-06 ISO-00 TRSE-00 SP-02

AID-05 NSC-05 CIEP-01 SS-15 STR-01 OMB-01 CEA-01

CIAE-00 COME-00 FRB-03 INR-07 NSAE-00 XMB-02 OPIC-03

LAB-04 SIL-01 L-02 H-01 PA-01 USIE-00 PRS-01 SSO-00

NSCE-00 INRE-00 SR-02 ORM-01 /091 R

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ARA/LA/BC - J. KARKASHIAN (SUB)

TREASURY - JOHN BUSHNELL

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FM SECSTATE WASHDC

TO AMEMBASSY PARIS IMMEDIATE

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY LONDON

AMEMBASSY MADRID

AMEMBASSY OTTAWA

AMEMBASSY SANTIAGO

AMEMBASSY STOCKHOLM

AMEMBASSY THE HAGUE

AMEMBASSY TOKYO

C O N F I D E N T I A L STATE 045175

E.O. 11652: GDS

TAGS: EFIN, CI

SUBJECT: CHILE DEBT RESCHEDULING

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REFERENCE: A) PARIS 5115, B) LONDON 3012

1. EMBASSY SHOULD ADVISE NEBOT ASAP THAT US DEEPLY REGRETS UK DECISION NOT TO PARTICIPATE IN PARIS CLUB. US AGREES WITH NEBOT IN STATING THAT PURPOSE OF PARIS CLUB AND ANY OTHER CREDITOR FORUM IS TO CONCERN ITSELF PURELY WITH FINANCIAL AND OTHER RELATED ECONOMIC CONSIDERATIONS, WHICH ALL HAVE DONE IN PREVIOUS RESCHEDULINGS FOR COUNTRIES IN A VARIETY OF POLITICAL AND ECONOMIC SITUATIONS. THE INTRODUCTION OF POLITICAL ISSUES INTO THIS FORUM REPRESENTS NOT ONLY A SERIOUS BREACH OF THIS PROCEDURE, BUT IS ALSO A DANGEROUS PRECEDENT FOR THE FUTURE IN THAT IT WILL ALLOW ANY CREDITOR TO IGNORE THE ESTABLISHED FINANCIAL CRITERIA NORMALLY USED IN THESE CASES, WHICH

COULD ULTIMATELY HAVE UNFORTUNATE EFFECT FOR CREDITORS AND DEBTORS ALIKE.

2. WE WOULD HOPE THAT BRITISH DECISION COULD BE REVERSED AND DOES NOT CAUSE OTHERS TO WITHDRAW.

USG, WHICH PLANS TO ATTEND MEETING, IS STRONGLY

ENCOURAGING ATTENDANCE AT PARIS CLUB OF ALL CREDITOR COUNTRIES THROUGH DIPLOMATIC REPRESENTATIONS AND URGES CHAIRMAN TO MAKE SIMILAR APPROACHES, INCLUDING POSSIBILITY OF GETTING UK DECISION REVERSED. WE WOULD URGE NEBOT TO PROCEED WITH MARCH MEETING AS SCHEDULED AS LONG AS REASONABLE NUMBER OF CREDITORS PREPARED TO ATTEND. ONLY ALTERNATIVE, AS WE SEE IT, IS FOR SELECTIVE BILATERAL AGREEMENTS (AND PERHAPS SELECTIVE DEFAULTS) WHICH WOULD BE UNFORTUNATE PRECEDENT FOR ALL CONCERNED.

3. IN REFERENCE TO QUESTION OF CHILE REQUESTING FULL MORATORIUM ON DEBT SERVICE PAYMENTS IN 1975, US FEELS THAT GOC MAY HAVE RAISED THIS MORE AS A TACTICAL POINT THAN AS SERIOUS DEBT RESCHEDULING POSITION. BILATERAL TALKS BETWEEN US OFFICIALS AND REPRESENTATIVES OF FRG AND SPAIN INDICATE THAT CHILE IS NOT REPEAT NOT CONSIDERING 100 PERCENT RESCHEDULING
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AS ITS POSITION, IN SPITE OF FACT THAT CHILEAN ECONOMIC SITUATION IS MUCH WORSE THAN IN 1974 AND IMF ESTIMATES GOC UNFINANCED BOP GAP TO BE APPROXIMATELY \$440 MILLION AFTER ALL EXTERNAL ASSISTANCE. USG FEELS THAT STRONG RECORD OF PRESENT GOC IN LIVING

UP TO FINANCIAL OBLIGATIONS IS SUCH THAT THERE IS NO INTENTION TO AVOID PAYMENTS, BUT RESCHEDULING A

SIGNIFICANT AMOUNT IS CLEARLY NECESSARY.

4. US CHIEF OF DELEGATION, DEPUTY ASSISTANT
SECRETARY PAUL BOEKER WILL BE IN PARIS MARCH 3-5
AND WOULD LIKE TO DISCUSS THESE MATTERS WITH NEBOT. KISSINGER

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